

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Charter Township of Texas*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2005*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Charter Township of Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the Charter Township of Texas' (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Township's total net assets increased by \$1,030,567 (7.7 percent) as a result of this year's activities.
- Of the \$14,439,507 total net assets reported, \$2,252,662 (15.6 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,657,435, which represents 107.7 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds, as well as additional information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business.
  - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### **Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state revenue finance most of these activities.
- *Component unit* - The Township includes one other entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for them.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like Revolving Improvement Fund, a nonmajor fund) or to show that it is properly using certain other revenues (like special assessments collected for the Lakes Sewer Debt Fund).

The Township has three kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Fund financial statements (Continued)**

- Proprietary fund. Services for which the Township charges customers a fee are generally reported in proprietary fund. Proprietary fund, like the government-wide statements, provide both long- and short-term financial information.
  - In fact, the Township's enterprise fund (one type of proprietary fund) is the same as its business-type activities but provide more detail and additional information, such as cash flows.
- Fiduciary funds. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$14,439,507, an increase of 7.7 percent compared to the prior year. Of this total, \$7,923,835 is invested in capital assets (net of related debt) and \$4,263,010 is restricted for various purposes. Consequently, unrestricted net assets were \$2,252,662, or 15.6 percent of the total.

	<i>Governmental activities</i>	
	<u>2005</u>	<u>2004</u>
Current assets	\$ 6,439,482	\$ 6,069,647
Noncurrent assets	<u>12,148,409</u>	<u>11,849,447</u>
<b>Total assets</b>	<b><u>18,587,891</u></b>	<b><u>17,919,094</u></b>
Current liabilities	1,326,249	1,275,752
Noncurrent liabilities	<u>2,822,135</u>	<u>3,234,402</u>
<b>Total liabilities</b>	<b><u>4,148,384</u></b>	<b><u>4,510,154</u></b>
Net assets:		
Invested in capital assets, net of related debt	7,923,835	6,823,402
Restricted	4,263,010	3,129,485
Unrestricted	<u>2,252,662</u>	<u>3,456,053</u>
<b>Total net assets</b>	<b><u>\$ 14,439,507</u></b>	<b><u>\$ 13,408,940</u></b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Changes in net assets.** The Township's total revenues are \$3,200,852. Nearly 14 percent of the Township's revenues come from property taxes, 25 percent come from charges for services and another 31 percent come from capital grants and contributions.

The total cost of all the Township's programs, covering a wide range of services, totaled \$2,170,285. More than 33.1 percent of the Township's costs relate to the provision of general government. Public safety costs account for 32.1 percent of the costs and public works costs account for 20.0 percent of the Township's total costs.

Condensed financial information  
Changes in net assets

	<i>Governmental activities</i>	
	<i>2005</i>	<i>2004</i>
Program revenues:		
Charges for services	\$ 803,758	\$ 1,009,811
Operating grants and contributions	8,521	7,633
Capital grants and contributions	999,427	11,585
General revenues:		
Property taxes	444,664	410,803
State shared revenue	735,728	718,582
Franchise fees	53,751	50,305
Interest income	150,260	177,789
Miscellaneous	4,743	14,898
Special item - gain on sale of assets	-	3,800
<b>Total revenues</b>	<b><u>3,200,852</u></b>	<b><u>2,405,206</u></b>
Expenses:		
Legislative	26,225	13,251
General government	718,299	705,472
Public safety	697,524	636,323
Public works	433,609	542,397
Community and economic development	133,043	93,700
Culture and recreation	26,839	8,466
Interest	134,746	200,106
<b>Total expenses</b>	<b><u>2,170,285</u></b>	<b><u>2,199,715</u></b>
<b>Increase in net assets</b>	<b><u>\$ 1,030,567</u></b>	<b><u>\$ 205,491</u></b>



**Charter Township of Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Governmental activities.** Governmental activities increased the Township's net assets by \$1,030,567. The increase was the result of capital grants, developer contributions and efforts to control costs.

The cost of all governmental activities this year was \$2,170,285. After subtracting the direct charges to those who directly benefited from the programs (\$803,758), and operating and capital grants (\$1,007,948), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$358,579.

**Business-type activities.** Business-type activities associated with the Building Inspections Fund increased the Township's net assets by \$117,332 because revenue from permits exceeded the cost of this activity.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**Governmental funds.** As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$5,135,600, an increase of \$86,387 in comparison with the prior year. Of the total fund balances, 32 percent constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for capital projects in the next year \$(0), (2) for future capital projects (\$2,038,630), (3) to generate income to pay for long-term debt, (\$819,997), or (4) for other restricted purposes (\$619,538).

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,657,435, which represents 107.7 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance increased by \$157,435 during the fiscal year primarily due to increased property tax revenues, interest earned on investments, and decreased capital outlay costs.

The Sewer & Water Fund experienced a decrease in fund balance of \$67,939. The decrease was created by a transfer to Lakes Sewer Debt Fund to cover insufficient funds for debt service requirements. These funds will be repaid as special assessments are collected.

The Sewer #5 Fund experienced a decrease in fund balance of \$187,083. The decrease was created by the Township's portion of construction costs in the 10<sup>th</sup> Street sewer extension project.

The Lakes Sewer Debt Fund experienced an increase in fund balance of \$128,186. The increase was created by a transfer from Sewer & Water Fund to cover insufficient funds for debt service requirements.

The Rudgate 1, 2, & 3 Debt Fund experienced a decrease in fund balance of \$7,425. The decrease was created by debt service requirements being greater than the current collections of special assessment balances.

**Charter Township of Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Proprietary fund.** The Building Inspections Fund experienced an operating gain of \$117,332. Net assets are \$293,528 at year end.

**General fund budgetary highlights**

The difference between the original budget and the final amended budget for expenditures was an increase of \$142,737 primarily due to an expected increase in capital outlay expenditures resulting from federal grants.

**Capital assets and debt administration**

*Capital assets*

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$11,058,785 (net of accumulated depreciation). This investment includes a broad range of assets, including fire equipment and vehicles, buildings, and sewer and water facilities. The increase in the Township's net investment in capital assets for the current fiscal year was \$550,981.

Major capital asset events during the current fiscal year included the following:

- 10<sup>th</sup> Street sewer extension for \$598,484
- RS Ave repaving and 8<sup>th</sup> Street intersection improvements for \$61,564
- BS&A Software for \$23,230
- Bike Path for \$81,465
- Inspection Vehicle of \$23,200

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements.

*Long-term debt*

At the end of the fiscal year, the Township had total long-term bonds outstanding in the amount of \$3,169,000 which represent a decrease of \$450,000 or 12.4 percent. Of this amount, \$3,169,000 comprises debt backed by the full faith and credit of the Township.

State statutes limit the amount of general obligation debt the Township can issue to 10 percent of its total state equalized assessed value of property. The Township's total general obligation debt \$3,169,000 is significantly lower than the current state-imposed limit of \$60,161,790.

More detailed information about the Township's long-term liabilities is presented in Note 10 of the notes to the basic financial statements.

**Charter Township of Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Economic condition and outlook**

The Township continues to experience a high growth rate in residential development with an increase of \$63 million in taxable value in 2005. This growth has helped to offset the decrease in state revenue sharing with the state continuing to struggle and local units wary of additional cuts. Overall, revenues are expected to remain stable for 2006.

The Township has approved a bike trail in 2006 along 10<sup>th</sup> Street, from Texas Drive to Q Avenue. The Township will be working with Oshtemo Township and the City of Portage to complete a trail-way from the Kal-Haven Trail to the Portage Trail-way System, through Texas Township.

**Contacting the Township's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Linda Kerr, Township Clerk  
Charter Township of Texas  
7110 West Q Avenue  
Kalamazoo, MI 49009

Phone: (269) 375-1591

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Charter Township of Texas, Michigan**

**We have audited the accompanying financial statements of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Texas, Michigan, as of December 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Charter Township of Texas, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.**

**We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Texas, Michigan, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.**

**The management's discussion and analysis and budgetary comparison information, on pages i through vii and 25 through 28, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.**

**Board of Trustees  
Charter Township of Texas, Michigan  
Page 2**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Texas, Michigan, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information designated as "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" in the contents is also presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Charter Township of Texas, Michigan. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

*Sigfried Crandall P.C.*

February 17, 2006

## **BASIC FINANCIAL STATEMENTS**

**Charter Township of Texas**  
**STATEMENT OF NET ASSETS**  
December 31, 2005

	<u>Primary government</u>	
	<u>Governmental activities</u>	<u>Component unit</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 5,735,525	\$ 17,847
Receivables (net)	683,269	9,193
Due from component unit	10,000	-
Prepaid expenses	10,688	-
Total current assets	<u>6,439,482</u>	<u>27,040</u>
Noncurrent assets:		
Receivables (net)	967,439	-
Due from component unit	30,000	-
Capital assets (net of accumulated depreciation)	11,058,785	52,800
Unamortized bond issue costs	92,185	-
Total noncurrent assets	<u>12,148,409</u>	<u>52,800</u>
Total assets	<u>18,587,891</u>	<u>79,840</u>
<b>LIABILITIES</b>		
Current liabilities:		
Payables	129,994	-
Due to primary government	-	10,000
Deferred revenue	791,255	14,452
Bonds payable	405,000	-
Total current liabilities	<u>1,326,249</u>	<u>24,452</u>
Noncurrent liabilities:		
Due to primary government	-	30,000
Bonds payable	2,822,135	-
Total noncurrent liabilities	<u>2,822,135</u>	<u>30,000</u>
Total liabilities	<u>4,148,384</u>	<u>54,452</u>
<b>NET ASSETS</b>		
Invested in capital assets (net of related debt)	7,831,650	-
Restricted for:		
Public safety	274,968	-
Public works	2,275,003	-
Debt service	1,713,039	-
Unrestricted	2,344,847	25,388
Total net assets	<u>\$ 14,439,507</u>	<u>\$ 25,388</u>

See notes to financial statements

**Charter Township of Texas**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2005

		<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
<b>Functions/Programs</b>	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
<b>Primary government:</b>			<u>contributions</u>	<u>contributions</u>
Governmental activities:				
Legislative	\$ 26,225	\$ -	\$ -	\$ -
General government	718,299	191,112	-	-
Public safety	697,524	329,128	-	88,405
Public works	433,609	196,497	8,521	841,160
Community and economic development	133,043	87,021	-	-
Culture and recreation	26,839	-	-	-
Interest and fees	134,746	-	-	69,862
Total primary government	<u>\$2,170,285</u>	<u>\$ 803,758</u>	<u>\$ 8,521</u>	<u>\$ 999,427</u>
<b>Component unit - DDA</b>	<u>\$ 9,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State shared revenue				
Franchise fees				
Unrestricted investment return				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				



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***Net revenues (expenses) and  
changes in net assets***

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***Primary  
government***

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<b><i>Governmental activities</i></b>	<b><i>Component unit</i></b>
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\$ (26,225)	
(527,187)	
(279,991)	
612,569	
(46,022)	
(26,839)	
<u>(64,884)</u>	
<u>(358,579)</u>	
	\$ <u>(9,218)</u>

444,664	16,334
735,728	-
53,751	-
150,260	-
<u>4,743</u>	<u>-</u>

<u>1,389,146</u>	<u>16,334</u>
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1,030,567	7,116
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<u>13,408,940</u>	<u>18,272</u>
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<u>\$ 14,439,507</u>	<u>\$ 25,388</u>
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See notes to the financial statements

**Charter Township of Texas**  
**BALANCE SHEET - governmental funds**  
December 31, 2005

	<u>General</u>	<u>Sewer &amp; Water</u>	<u>Sewer #5</u>
<b>ASSETS</b>			
Cash	\$ 1,823,419	\$ 1,648,834	\$ 439,822
Receivables	455,307	207,335	4,727
Due from component unit	40,000	-	-
Prepaid expenses	10,688	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 2,329,414</u>	<u>\$ 1,856,169</u>	<u>\$ 444,549</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 32,949	\$ 16,614	\$ 33,412
Deferred revenue	639,030	207,335	4,727
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	671,979	223,949	38,139
Fund balances - undesignated	<u>1,657,435</u>	<u>1,632,220</u>	<u>406,410</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 2,329,414</u>	<u>\$ 1,856,169</u>	<u>\$ 444,549</u>

Fund balance - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Bond issuance costs are not a current financial resource and, therefore, are not reported in the funds.

Net assets of the Building Inspections Fund that have been combined with those of *governmental activities*.

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

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<b><u>Lakes Sewer Debt</u></b>	<b><u>Rudgate 1, 2, &amp; 3 Debt</u></b>	<b><u>Total nonmajor governmental funds</u></b>	<b><u>Total governmental funds</u></b>
\$ 129,717	\$ 165,242	\$ 1,252,668	\$ 5,459,702
475,163	249,604	258,572	1,650,708
-	-	-	40,000
-	-	-	10,688
<u>\$ 604,880</u>	<u>\$ 414,846</u>	<u>\$ 1,511,240</u>	<u>\$ 7,161,098</u>

\$ 570	\$ -	\$ 21,194	\$ 104,739
475,163	249,604	344,900	1,920,759
475,733	249,604	366,094	2,025,498
129,147	165,242	1,145,146	5,135,600
<u>\$ 604,880</u>	<u>\$ 414,846</u>	<u>\$ 1,511,240</u>	<u>\$ 7,161,098</u>

\$ 5,135,600

11,040,225

92,185

293,528

(24,400)

1,129,504

(3,227,135)

\$ 14,439,507

See notes to financial statements

**Charter Township of Texas****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCES - governmental funds***Year ended December 31, 2005*

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	<u>General</u>	<u>Sewer &amp; Water</u>	<u>Sewer #5</u>
<b>REVENUES</b>			
Taxes	\$ 612,250	\$ -	\$ -
Licenses and permits	54,126	-	-
Federal grants	88,405	-	-
State grants	744,249	-	-
Charges for services	161,179	156,362	54,375
Fines and forfeitures	3,893	-	-
Interest and rentals	73,309	60,641	7,409
Other	4,743	25,368	368,112
	<u>1,742,154</u>	<u>242,371</u>	<u>429,896</u>
Total revenues			
<b>EXPENDITURES</b>			
Legislative	26,225	-	-
General government	700,313	850	600
Public safety	407,317	-	-
Public works	123,202	9,460	488
Community and economic development	133,043	-	-
Culture and recreation	26,889	-	-
Capital outlay	121,875	-	615,891
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<u>1,538,864</u>	<u>10,310</u>	<u>616,979</u>
Total expenditures			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>203,290</u>	<u>232,061</u>	<u>(187,083)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	8,000	-	-
Transfers out	(54,000)	(300,000)	-
	<u>(46,000)</u>	<u>(300,000)</u>	<u>-</u>
Total other sources (uses)			
<b>NET CHANGES IN FUND BALANCES</b>	157,290	(67,939)	(187,083)
<b>FUND BALANCES - BEGINNING</b>	<u>1,500,145</u>	<u>1,700,159</u>	<u>593,493</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,657,435</u>	<u>\$ 1,632,220</u>	<u>\$ 406,410</u>

<i>Lakes Sewer Debt</i>	<i>Rudgate 1, 2, &amp; 3 Debt</i>	<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ -	\$ -	\$ 612,250
-	-	-	54,126
-	-	-	88,405
-	-	-	744,249
16,670	-	201,408	589,994
-	-	-	3,893
35,090	25,286	30,628	232,363
102,145	22,279	181,607	704,254
<u>153,905</u>	<u>47,565</u>	<u>413,643</u>	<u>3,029,534</u>
-	-	-	26,225
350	250	1,367	703,730
-	-	-	407,317
735	428	132,727	267,040
-	-	-	133,043
-	-	-	26,889
-	-	58,047	795,813
262,500	34,000	153,500	450,000
62,134	20,312	50,644	133,090
<u>325,719</u>	<u>54,990</u>	<u>396,285</u>	<u>2,943,147</u>
<u>(171,814)</u>	<u>(7,425)</u>	<u>17,358</u>	<u>86,387</u>
300,000	-	54,000	362,000
-	-	(8,000)	(362,000)
<u>300,000</u>	<u>-</u>	<u>46,000</u>	<u>-</u>
128,186	(7,425)	63,358	86,387
961	172,667	1,081,788	5,049,213
<u>\$ 129,147</u>	<u>\$ 165,242</u>	<u>\$ 1,145,146</u>	<u>\$ 5,135,600</u>

See notes to financial statements

**Charter Township of Texas**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended December 31, 2005*

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Reconciliation of the statement of revenues, expenditures, and  
changes in fund balances to the statement of activities:

Net changes in fund balances - total governmental funds \$ 86,387

Amounts reported for *governmental activities* in the statement of activities  
(page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets are allocated over  
their estimated useful lives as depreciation expense. This is the amount  
by which capital outlay (\$882,705) exceeded depreciation (\$348,974) and  
loss on disposal of asset (\$1,310) in the current period. 532,421

Governmental funds report the effect of bond issuance costs when debt is  
first issued, whereas these amounts are deferred and amortized in the  
statement of activities. (11,523)

Change in net assets of the Building Inspections Fund that have been  
combined with those of the *governmental activities*. 117,332

Interest expense is recorded when incurred in the statement of activities. 2,600

Because some special assessments will not be collected until subsequent  
periods, they are not considered available revenues and are deferred  
in the governmental funds. Deferred special assessment revenues  
decreased by this amount this year. (153,917)

Repayment of contract principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement  
of net assets. 457,267

Changes in net assets of *governmental activities* \$ 1,030,567

*See notes to financial statements*

**Charter Township of Texas**  
**STATEMENT OF NET ASSETS - *proprietary fund***  
*December 31, 2005*

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	<b><u>Building inspections</u></b>
<b>ASSETS</b>	
Current assets - cash	\$ 275,823
Noncurrent assets - capital assets, net of accumulated depreciation	<u>18,560</u>
Total assets	294,383
<b>LIABILITIES</b>	
Payables	<u>855</u>
<b>NET ASSETS - unrestricted</b>	<b><u>\$ 293,528</u></b>
 Net assets of business-type activities	 \$ 293,528
 Amounts reported for business-type activities in the government-wide statement of net assets (page 4) are different because:	
 Assets and liabilities of the Building Inspections Fund have been combined with those of <i>governmental activities</i> .	 <u>(293,528)</u>
 Net assets of business-type activities	 <b><u>\$ -</u></b>

*See notes to financial statements*

**Charter Township of Texas**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**

**ASSETS - *proprietary fund***

*Year ended December 31, 2005*

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	<b><u>Building inspections</u></b>
<b>OPERATING REVENUES</b>	
Charges for services - licenses and permits	\$ 325,235
<b>OPERATING EXPENSES</b>	
Salaries and fringe benefits	181,331
Supplies	21,932
Depreciation	<u>4,640</u>
Total operating expenses	<u>207,903</u>
<b>CHANGE IN NET ASSETS</b>	117,332
<b>NET ASSETS - BEGINNING</b>	<u>176,196</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 293,528</u></u>
 Change in net assets of business-type activities	 \$ 117,332
 Amounts reported for business-type activities in the government-wide statement of activities (page 5) are different because:	
 Revenues and expenses of the Building Inspections Fund have been combined with those of the <i>governmental activities</i> .	 <u>(117,332)</u>
 Change in net assets of business-type activities	 <u><u>\$ -</u></u>

*See notes to financial statements*



**Charter Township of Texas**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended December 31, 2005

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	<u><b>Building inspections</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 325,235
Payments to suppliers	(57,750)
Payments to employees	<u>(145,693)</u>
Net cash provided by operating activities	<u>121,792</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(23,200)</u>
<b>NET INCREASE IN CASH</b>	98,592
<b>CASH - BEGINNING</b>	<u>177,231</u>
<b>CASH - ENDING</b>	<u><u>\$ 275,823</u></u>
<b>Reconciliation of changes in net asset to net cash provided by operating activities:</b>	
Change in net assets	\$ 117,332
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,640
Decrease in accounts payable	<u>(180)</u>
Net cash provided by operating activities	<u><u>\$ 121,792</u></u>

See notes to financial statements

***Charter Township of Texas***

**STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund***

*December 31, 2005*

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**ASSETS**

Cash	<u>\$ 1,519,378</u>
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**LIABILITIES**

Due to other governmental units	<u>\$ 1,519,378</u>
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*See notes to financial statements*

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Charter Township of Texas, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

*Discretely-presented component unit:*

*Downtown Development Authority:*

The component units' governing body is appointed by the Township Board and their budgets must be approved by the Township Board. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Sewer and Water Fund accounts for the financial resources used for the expansion and repairs and maintenance of sewer and water lines located in the Township. Revenues are primarily derived from connection fees.

The Sewer #5 Fund accounts for the financial resources used for the expansion and repairs of sewer lines located in the Township. Revenues are primarily derived from connection fees and contractor contributions.

The Lakes Sewer Debt Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The Rudgate 1, 2, & 3 Debt Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments

The Township reports a single proprietary fund, Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (continued):**

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipments	3 - 5 years
Vehicles	3 - 20 years
Sewer and water systems	50 years

*v) Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vii) Special assessment recognition* - In governmental funds, special assessment revenue is recorded as deferred when initially assessed. Revenues are recognized to the extent that special assessments are collected. Interest income on special assessments receivable is not accrued until its due date.

*viii) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	\$ 118,442	\$ 133,043	\$ (14,601)
Sewer and Water	Public works	-	9,460	(9,460)
	Other financing uses	-	300,000	(300,000)
Sewer #5	Capital outlay	-	615,891	(615,891)
Street Lighting	Public works	-	59,293	(59,293)
	Capital outlay	-	1,400	(1,400)
Eagle Lake	Other financing uses	-	8,000	(8,000)
Revolving Improvement	Capital outlay	-	56,647	(56,647)

**NOTE 3 - CASH:**

The Township and Component Unit's cash are as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Component unit</u>	<u>Totals</u>
Deposits	\$ 5,735,525	\$ 1,519,378	\$ 17,847	\$ 7,272,750

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2005, \$7,679,894 of the Township's bank balances of \$8,879,894 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:					
General	\$ 30,808	\$ 302,000	\$ -	\$ 122,499	\$ 455,307
Sewer & Water	-	-	207,335	-	207,335
Sewer #5	-	-	4,727	-	4,727
Lakes Sewer Debt	-	-	475,163	-	475,163
Rudgate1, 2, & 3 Debt	-	-	249,604	-	249,604
Nonmajor funds	-	-	258,572	-	258,572
<b>Totals</b>	<b>\$ 30,808</b>	<b>\$ 302,000</b>	<b>\$ 1,195,401</b>	<b>\$ 122,499</b>	<b>\$ 1,650,708</b>
Component unit:					
DDA	\$ -	\$ -	\$ 9,193	\$ -	\$ -
Noncurrent portion	\$ -	\$ -	\$ 967,439	\$ -	\$ 967,439

**NOTE 5 - PROPERTY TAXES:**

The Township property taxes are levied each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2005 taxable valuation of the Township totaled \$545,139,488, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.8677	Operating	\$ 472,081

These amounts are recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.



**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - CAPITAL ASSETS:**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 69,220	\$ -	\$ -	\$ 69,220
Capital assets being depreciated:				
Buildings	508,250	-	-	508,250
Improvements	200,919	81,546	-	282,465
Furniture and equipment	368,940	124,837	6,550	487,227
Vehicles	1,013,281	-	-	1,013,281
Infrastructure	10,511,329	676,322	-	11,187,651
Subtotal	12,602,719	882,705	6,550	13,478,874
Less accumulated depreciation for:				
Buildings	82,508	12,706	-	95,214
Improvements	84,649	11,922	-	96,571
Furniture and equipment	180,128	47,088	5,240	221,976
Vehicles	347,595	51,658	-	399,253
Infrastructure	1,469,255	225,600	-	1,694,855
Subtotal	2,164,135	348,974	5,240	2,507,869
Total capital assets being depreciated (net)	10,438,584	533,731	1,310	10,971,005
Governmental activities capital assets, net	\$ 10,507,804	\$ 533,731	\$ 1,310	\$ 11,040,225
Business-type activity:				
Capital assets being depreciated - vehicle	\$ -	\$ 23,200	\$ -	\$ 23,200
Less accumulated depreciation	-	4,640	-	4,640
Business-type activity capital assets, net	\$ -	\$ 18,560	\$ -	\$ 18,560
Component unit:				
Capital assets being depreciated - land improvements	\$ 55,000	\$ -	\$ -	\$ 55,000
Less accumulated depreciation	1,100	1,100	-	2,200
Component unit capital assets, net	\$ 53,900	\$ (1,100)	\$ -	\$ 52,800

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - CAPITAL ASSETS (Continued):**

Depreciation expense was charged to functions of the Township as follows:

General government	\$ 44,317
Public safety	79,057
Public works	<u>225,600</u>
Total governmental activities	<u>\$ 348,974</u>

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

A summary of interfund transfers for the year ended December 31, 2005, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 8,000	Eagle Lake	\$ 8,000
Lakes Sewer Debt	<u>300,000</u>	Sewer & Water	300,000
Revolving Improvement	50,000	General	<u>54,000</u>
Road Improvement	<u>4,000</u>		
	<u>54,000</u>		
	<u>\$ 362,000</u>		<u>\$ 362,000</u>

The transfer to the General Fund represents restricted revenues collected in the Eagle Lake Fund to pay for operational costs of the public works functions accounted for in the General Fund.

The transfer to the Lakes Sewer Debt Fund represents support to cover debt service requirements.

The transfer to Revolving Improvement Fund represents support to cover costs of land improvements.

The transfer to Road Improvement Fund represent support to cover road maintenance.

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - PAYABLES:**

Payables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:			
General	\$ 32,949	\$ -	\$ 32,949
Sewer & Water	357	16,257	16,614
Sewer #5	26,822	6,590	33,412
Lakes Sewer Debt	-	570	570
Nonmajor funds	<u>6,564</u>	<u>14,630</u>	<u>21,194</u>
Totals	<u>\$ 66,692</u>	<u>\$ 38,047</u>	<u>\$ 104,739</u>
Business-type activities:			
Building Inspection	<u>\$ 855</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 9 - DEFERRED REVENUE:**

As of December 31, 2005, the various components of deferred revenue are as follows:

<u>Fund</u>	<i>Property taxes</i>	<i>Special assessments</i>		<u>Totals</u>
	<u>Unearned</u>	<u>Unearned</u>	<u>Unavailable</u>	
Governmental activities:				
General	\$ 639,030	\$ -	\$ -	\$ 639,030
Sewer & Water	-	-	207,335	207,335
Sewer #5	-	-	4,727	4,727
Lakes Sewer Debt	-	-	475,163	475,163
Rudgate 1, 2, & 3	-	-	249,604	249,604
Nonmajor funds	<u>-</u>	<u>152,226</u>	<u>192,674</u>	<u>344,900</u>
Totals	<u>\$ 639,030</u>	<u>\$ 152,226</u>	<u>\$ 1,129,503</u>	<u>\$ 1,920,759</u>
Component unit:				
DDA	\$ 14,452	\$ -	\$ -	\$ 14,452

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - NONCURRENT LIABILITIES:**

Long-term debt at December 31, 2005, is comprised of the following individual issues:

\$2,910,000 refunding sewer disposal system limited tax general obligation bonds due in annual installments of \$210,000 to \$375,000 starting May 2005, through May 2013; variable interest from 2.50% to 4.00%	\$ 2,535,000
\$750,000 sewer disposal system serial bonds due in annual installments of \$19,000 to \$41,000 starting April 1999, through April 2017; interest at 6.80%	328,000
\$660,000 sewer disposal system serial bonds due in annual installments of \$12,000 to \$36,000 starting April 1999, through April 2017; interest at 6.205%	306,000
Unamortized premium	<u>58,135</u>
Total	<u>\$ 3,227,135</u>

The Township has pledged its full faith and credit for the payment of these bond issues.

Long-term debt activity for the year ended December 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
1999 serial bonds	\$ 369,000	\$ -	\$ (41,000)	\$ 328,000	\$ 41,000
1999 serial bonds	340,000	-	(34,000)	306,000	34,000
2004 refunding bonds	2,910,000	-	(375,000)	2,535,000	330,000
Unamortized premium	<u>65,402</u>	<u>-</u>	<u>(7,267)</u>	<u>58,135</u>	<u>-</u>
Total	<u>\$ 3,684,402</u>	<u>\$ -</u>	<u>\$ (457,267)</u>	<u>\$ 3,227,135</u>	<u>\$ 405,000</u>

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - NONCURRENT LIABILITIES (Continued):**

At December 31, 2005, debt service requirements on long-term debt are as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 405,000	\$ 119,372
2007	420,000	105,307
2008	440,000	90,248
2009	430,000	73,990
2010	425,000	57,171
2011 - 2014	<u>1,049,000</u>	<u>71,211</u>
Totals	<u>\$ 3,169,000</u>	<u>\$ 517,299</u>

**NOTE 11 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability of up to \$4,000,000, building contents and property, and workers' compensation coverage are managed through purchased commercial insurance.

**NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for all elected officials and full-time employees (over 30 hours per week) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 10% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$54,678 for the year ended December 31, 2005.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets

**Charter Township of Texas**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 13 - PRIOR PERIOD ADJUSTMENTS:**

Prior period adjustments have been recorded in 2005 that resulted in fund balance and net asset restatements. Fund equity as of January 1, 2005, included in the financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>General Fund</u>	<u>DDA Fund</u>
	<u>Fund Balance</u>	<u>Net assets</u>
Beginning of year, as previously reported	\$ 1,450,145	\$ 14,372
Prior period adjustments:		
Understatement of Interfund loan	50,000	(50,000)
Understatement of capital assets	-	53,900
Beginning of year, as restated	<u>\$ 1,500,145</u>	<u>\$ 18,272</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**Charter Township of Texas**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 582,600	\$ 582,600	\$ 612,250	\$ 29,650
Licenses and permits	40,350	40,350	54,126	13,776
Federal grants	-	89,737	88,405	(1,332)
State grants	747,634	747,634	744,249	(3,385)
Charges for services	49,550	49,550	161,179	111,629
Fines and forfeitures	7,000	7,000	3,893	(3,107)
Interest and rentals	50,700	50,700	73,309	22,609
Other	1,450	1,450	4,743	3,293
Total revenues	<u>1,479,284</u>	<u>1,569,021</u>	<u>1,742,154</u>	<u>173,133</u>
<b>EXPENDITURES</b>				
Legislative	<u>32,750</u>	<u>32,750</u>	<u>26,225</u>	<u>6,525</u>
General government:				
Supervisor	61,328	62,328	61,888	440
Election	3,500	3,500	7,429	(3,929)
Assessor	66,940	66,940	58,568	8,372
Clerk	129,628	129,628	120,000	9,628
Board of review	3,070	3,070	2,037	1,033
Treasurer	94,582	94,582	89,079	5,503
Hall and grounds	88,500	88,500	68,581	19,919
Cemetery	15,250	18,250	19,856	(1,606)
Other	270,800	304,800	272,875	31,925
Total general government	<u>733,598</u>	<u>771,598</u>	<u>700,313</u>	<u>71,285</u>
Public safety:				
Fire	291,564	301,564	289,160	12,404
Police	<u>119,800</u>	<u>119,800</u>	<u>118,157</u>	<u>1,643</u>
Total public safety	<u>411,364</u>	<u>421,364</u>	<u>407,317</u>	<u>14,047</u>



**Charter Township of Texas**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Public works:				
Highways and streets	\$ 120,000	\$ 120,000	\$ 91,818	\$ 28,182
Street lights	3,000	3,000	2,465	535
Sanitation and refuse collection	39,000	39,000	28,919	10,081
Total public works	<u>162,000</u>	<u>162,000</u>	<u>123,202</u>	<u>38,798</u>
Community and economic development - planning and zoning	<u>118,442</u>	<u>118,442</u>	<u>133,043</u>	<u>(14,601)</u>
Recreation and culture - parks and recreation	<u>22,200</u>	<u>27,200</u>	<u>26,889</u>	<u>311</u>
Capital outlay	<u>72,500</u>	<u>162,237</u>	<u>121,875</u>	<u>40,362</u>
Total expenditures	<u>1,552,854</u>	<u>1,695,591</u>	<u>1,538,864</u>	<u>156,727</u>
<b>EXCESS (DEFICIENCY) OF REVENUES     OVER EXPENDITURES</b>	(73,570)	(126,570)	203,290	329,860
<b>OTHER FINANCING SOURCES (USES):</b>				
Eagle Lake	6,000	6,000	8,000	2,000
Road Improvement	-	(4,000)	(4,000)	-
Revolving Improvement	(50,000)	(50,000)	(50,000)	-
Total other financing uses	<u>(44,000)</u>	<u>(48,000)</u>	<u>(46,000)</u>	<u>2,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	(117,570)	(174,570)	157,290	331,860
<b>FUND BALANCES - BEGINNING</b>	<u>1,500,145</u>	<u>1,500,145</u>	<u>1,500,145</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$1,382,575</u>	<u>\$1,325,575</u>	<u>\$1,657,435</u>	<u>\$ 331,860</u>

**Charter Township of Texas**  
**BUDGETARY COMPARISON SCHEDULE - Sewer & Water Fund**  
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Charges for service	\$ -	\$ -	\$ 156,362	\$ 156,362
Interest	-	-	60,641	60,641
Other - special assessments	-	-	25,368	25,368
	<u>-</u>	<u>-</u>	<u>242,371</u>	<u>242,371</u>
Total revenues	<u>-</u>	<u>-</u>	<u>242,371</u>	<u>242,371</u>
<b>EXPENDITURES</b>				
General government	-	-	850	(850)
Public works	-	-	9,460	(9,460)
	<u>-</u>	<u>-</u>	<u>10,310</u>	<u>(10,310)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>10,310</u>	<u>(10,310)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>232,061</u>	<u>232,061</u>
<b>OTHER FINANCING USES</b>				
Lakes Sewer Debt	-	-	(300,000)	(300,000)
	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>(67,939)</u>	<u>(67,939)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>1,700,159</u>	<u>1,700,159</u>	<u>1,700,159</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$1,700,159</u>	<u>\$1,700,159</u>	<u>\$1,632,220</u>	<u>\$ (67,939)</u>

**Charter Township of Texas**  
**BUDGETARY COMPARISON SCHEDULE - Sewer #5 Fund**  
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Charges for service	\$ -	\$ -	\$ 54,375	\$ 54,375
Interest	-	-	7,409	7,409
Other:				
Special assessments	-	-	17,791	17,791
Developer contribution	-	-	350,321	350,321
	<u>-</u>	<u>-</u>	<u>429,896</u>	<u>429,896</u>
Total revenues	<u>-</u>	<u>-</u>	<u>429,896</u>	<u>429,896</u>
<b>EXPENDITURES</b>				
General government	-	-	600	(600)
Public works	-	-	488	(488)
Capital outlay	-	-	615,891	(615,891)
	<u>-</u>	<u>-</u>	<u>616,979</u>	<u>(616,979)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>616,979</u>	<u>(616,979)</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	(187,083)	(187,083)
<b>FUND BALANCES - BEGINNING</b>	-	-	593,493	593,493
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,410</u>	<u>\$ 406,410</u>

## SUPPLEMENTARY INFORMATION

**Charter Township of Texas**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
December 31, 2005

	<u>Special revenue funds</u>		
	<u>Road Improvement</u>	<u>Street Lighting</u>	<u>Eagle Lake</u>
<b>ASSETS</b>			
Cash	\$ 4,646	\$ 56,006	\$ 37,017
Receivables	1,020	32,676	22,390
Total assets	<u>\$ 5,666</u>	<u>\$ 88,682</u>	<u>\$ 59,407</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 150	\$ 4,334	\$ 1,625
Deferred revenue	2,160	72,656	51,600
Total liabilities	<u>2,310</u>	<u>76,990</u>	<u>53,225</u>
Fund balances:			
Unreserved, undesignated	<u>3,356</u>	<u>11,692</u>	<u>6,182</u>
Total liabilities and fund balances	<u>\$ 5,666</u>	<u>\$ 88,682</u>	<u>\$ 59,407</u>

<i>Special revenue funds</i>			<i>Debt service funds</i>		<i>Totals</i>
<i>Crooked Lake</i>	<i>Revolving Improvement</i>	<i>Kelly Meadows Sewer</i>	<i>Q Avenue Debt</i>	<i>Pretty Lake Debt</i>	
\$ 19,534	\$ 595,227	\$ -	\$ 397,923	\$ 142,315	\$ 1,252,668
9,812	-	-	39,854	152,820	258,572
<u>\$ 29,346</u>	<u>\$ 595,227</u>	<u>\$ -</u>	<u>\$ 437,777</u>	<u>\$ 295,135</u>	<u>\$ 1,511,240</u>
\$ 455	\$ -	\$ -	\$ 14,630	\$ -	\$ 21,194
25,810	-	-	39,854	152,820	344,900
26,265	-	-	54,484	152,820	366,094
3,081	595,227	-	383,293	142,315	1,145,146
<u>\$ 29,346</u>	<u>\$ 595,227</u>	<u>\$ -</u>	<u>\$ 437,777</u>	<u>\$ 295,135</u>	<u>\$ 1,511,240</u>

**Charter Township of Texas****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2005

	<u>Special revenue funds</u>		
	<u>Road Improvement</u>	<u>Street Lighting</u>	<u>Eagle Lake</u>
<b>REVENUES</b>			
Charges for services	\$ -	\$ -	\$ -
Interest	-	-	-
Other - special assessments	<u>1,800</u>	<u>62,096</u>	<u>51,600</u>
Total revenues	<u>1,800</u>	<u>62,096</u>	<u>51,600</u>
<b>EXPENDITURES</b>			
General government	200	-	250
Public works	3,120	59,293	37,906
Capital outlay	-	1,400	-
Debt service:			
Principal	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,320</u>	<u>60,693</u>	<u>38,156</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,520)</u>	<u>1,403</u>	<u>13,444</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	4,000	-	-
Transfer out	<u>-</u>	<u>-</u>	<u>(8,000)</u>
Total other financing sources (uses)	<u>4,000</u>	<u>-</u>	<u>(8,000)</u>
<b>NET CHANGES IN FUND BALANCES</b>	2,480	1,403	5,444
<b>FUND BALANCES - BEGINNING</b>	<u>876</u>	<u>10,289</u>	<u>738</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,356</u>	<u>\$ 11,692</u>	<u>\$ 6,182</u>

<i>Special revenue funds</i>			<i>Debt service funds</i>		<i>Total</i>
<i>Crooked Lake</i>	<i>Revolving Improvement</i>	<i>Kelly Meadows Sewer</i>	<i>Q Avenue Debt</i>	<i>Pretty Lake Debt</i>	
\$ -	\$ -	\$ -	\$ 201,408	\$ -	\$ 201,408
-	6,095	-	3,879	20,654	30,628
<u>28,729</u>	<u>-</u>	<u>-</u>	<u>24,272</u>	<u>13,110</u>	<u>181,607</u>
<u>28,729</u>	<u>6,095</u>	<u>-</u>	<u>229,559</u>	<u>33,764</u>	<u>413,643</u>
250	-	-	417	250	1,367
31,856	-	110	153	289	132,727
-	56,647	-	-	-	58,047
-	-	-	112,500	41,000	153,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>26,629</u>	<u>24,015</u>	<u>50,644</u>
<u>32,106</u>	<u>56,647</u>	<u>110</u>	<u>139,699</u>	<u>65,554</u>	<u>396,285</u>
<u>(3,377)</u>	<u>(50,552)</u>	<u>(110)</u>	<u>89,860</u>	<u>(31,790)</u>	<u>17,358</u>
-	50,000	-	-	-	54,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,000)</u>
<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,000</u>
(3,377)	(552)	(110)	89,860	(31,790)	63,358
<u>6,458</u>	<u>595,779</u>	<u>110</u>	<u>293,433</u>	<u>174,105</u>	<u>1,081,788</u>
<u>\$ 3,081</u>	<u>\$ 595,227</u>	<u>\$ -</u>	<u>\$ 383,293</u>	<u>\$ 142,315</u>	<u>\$ 1,145,146</u>



**SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 CONTINUING DISCLOSURE  
(UNAUDITED)**

**Charter Township of Texas**  
**Taxable Value**  
**Fiscal Years Ended December 31, 2001 Through 2005**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Texas Charter Township's Fiscal Years Ended December 31	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total Taxable Value	Percent Increase Over Prior Year
1999	2000	2001	\$ 345,347,596	\$ 7,741,300	\$ 353,088,896	7.51%
2000	2001	2002	375,438,769	10,045,900	385,484,669	9.17%
2001	2002	2003	419,564,941	8,863,100	428,428,041	11.14%
2002	2003	2004	453,436,715	8,889,000	462,325,715	7.91%
2003	2004	2005	494,059,827	8,889,000	502,948,827	8.79%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2005 (2)..... \$46,062

(1) At the full tax rate. See "Tax Abatement".

(2) Based on Charter Township of Texas' 2000 census population of 10,919.

Source: Charter Township of Texas

**Charter Township of Texas**  
**Total Taxable Value by Use and Class**  
**Fiscal Years Ended December 31, 2001 Through 2005**

Use	Fiscal Years Ended December 31				
	2001	2002	2003	2004	2005
Agriculture	\$ 5,145,697	\$ 5,360,351	\$ 5,250,638	\$ 4,596,763	\$ 3,455,905
Commercial	33,853,955	43,259,313	57,425,672	59,959,097	60,591,736
Industrial	8,384,156	8,500,112	8,523,460	8,402,793	7,997,766
Residential	299,292,488	322,578,193	351,559,171	383,090,162	423,894,020
Utility	6,412,600	5,786,700	5,669,100	6,276,900	7,009,400
	<u>\$ 353,088,896</u>	<u>\$ 385,484,669</u>	<u>\$ 428,428,041</u>	<u>\$ 462,325,715</u>	<u>\$ 502,948,827</u>
Class	Fiscal Years Ended December 31				
	2001	2002	2003	2004	2005
Real Property	\$ 341,117,396	\$ 369,538,569	\$ 407,908,141	\$ 441,497,915	\$ 484,193,127
Personal Property	11,971,500	15,946,100	20,519,900	20,827,800	18,755,700
	<u>\$ 353,088,896</u>	<u>\$ 385,484,669</u>	<u>\$ 428,428,041</u>	<u>\$ 462,325,715</u>	<u>\$ 502,948,827</u>

Source: Charter Township of Texas

(UNAUDITED)

**Charter Township of Texas  
State Equalized Valuation  
Fiscal Years Ended December 31, 2001 Through 2005**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Texas Charter Township's Fiscal Years Ended December 31	Ad Valorem SEV	SEV of Property General Tax Abatement Under Acts 198 and 255 (1)	Total SEV	Percent Increase Over Prior Year
1999	2000	2001	\$ 402,641,000	\$ 7,741,300	\$ 410,382,300	8.07%
2000	2001	2002	432,313,800	10,045,900	442,359,700	7.79%
2001	2002	2003	485,838,700	8,863,100	494,701,800	11.83%
2002	2003	2004	539,179,850	8,889,000	548,068,850	10.79%
2003	2004	2005	592,728,900	8,889,000	601,617,900	9.77%

Per Capita Total SEV for the Fiscal Year Ending December 31, 2005 (2) ..... \$55,098

(1) See "Tax Abatement".

(2) Based on Charter Township of Texas' 2000 census population of 10,919.

Source: Charter Township of Texas

**Charter Township of Texas  
Total SEV by Use and Class  
Fiscal Years Ended December 31, 2001 Through 2005**

Use	Fiscal Years Ended December 31				
	2001	2002	2003	2004	2005
Agriculture	\$ 6,600,200	\$ 6,888,400	\$ 6,881,200	\$ 6,451,300	\$ 5,851,600
Commercial	38,456,800	49,837,800	65,264,300	71,056,500	72,451,600
Industrial	8,559,600	8,680,100	8,693,100	8,540,500	9,803,200
Residential	350,353,100	371,166,700	408,194,100	455,743,650	506,502,100
Utility	6,412,600	5,786,700	5,669,100	6,276,900	7,009,400
	<u>\$ 410,382,300</u>	<u>\$ 442,359,700</u>	<u>\$ 494,701,800</u>	<u>\$ 548,068,850</u>	<u>\$ 601,617,900</u>
Class	Fiscal Years Ended December 31				
	2001	2001	2003	2004	2005
Real Property	\$ 398,410,800	\$ 426,413,600	\$ 474,181,900	\$ 527,241,050	\$ 582,862,200
Personal Property	11,971,500	15,946,100	20,519,900	20,827,800	18,755,700
	<u>\$ 410,382,300</u>	<u>\$ 442,359,700</u>	<u>\$ 494,701,800</u>	<u>\$ 548,068,850</u>	<u>\$ 601,617,900</u>

Source: Charter Township of Texas

(UNAUDITED)

## ***Tax Abatement***

Charter Township of Texas' taxable value does not include the value of certain facilities, which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198 or Act 255 (the "Acts"). The Acts were designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Acts, a local governmental unit (i.e., a city, village, or township) may establish plant rehabilitation districts, industrial development districts, and commercial redevelopment districts and offer industrial and commercial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial or commercial facilities exemption certificate granted under either of the Acts entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities or commercial facilities tax (the "IFT Tax" and "CFT Tax", respectively). For properties granted tax abatement under the Acts, there exists separate tax rolls referred to as the industrial facilities tax roll (the "IFT Tax Roll") and the commercial facilities tax roll (the "CFT Tax Roll"), respectively. The IFT or CFT Tax for an obsolete facility, which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the taxable value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility, the IFT or CFT Tax is also determined the same as the Ad Valorem Tax but, instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals  $\frac{1}{2}$  of all tax rates levied by other than the state and local school district for operating purposes plus  $\frac{1}{2}$  of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals  $\frac{1}{2}$  of all tax rates levied by other than the state plus none,  $\frac{1}{2}$ , or all of the state tax rate (as determined by the State Treasurer). Act 255 expired as an effective statute of the State of Michigan on December 31, 1986, and tax abatements granted to commercial facilities under Act 255 prior to December 31, 1986, have expired.

Charter Township of Texas has established goals, objectives, and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1977, Charter Township of Texas has approved a number of applications for local property tax relief for industrial and commercial firms. Most abatements have been for new industrial facilities. The SEV of properties, which have been granted tax abatement under the Act 198, removed from the Ad Valorem Tax Roll, and placed on the IFT Tax Rolls, totaled \$8,889,000 for the fiscal year ending December 31, 2005. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$8,889,000 of taxable value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates, the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as taxable value.

**Charter Township of Texas  
Maximum Property Tax Rates  
Fiscal Year Ended December 31, 2005**

Millage Classification	Millage Authorized	Applicable Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated Operating	1.0000	0.9882	0.8741

(1) Cumulative.

Source: Charter Township of Texas

**Charter Township of Texas  
Property Tax Rates  
Fiscal Years Ended December 31, 2001 Through 2005**

Levy December 1	Fiscal Year Ended December 31	Allocated Operating
2000	2001	0.9042
2001	2002	0.9025
2002	2003	0.8938
2003	2004	0.8846
2004	2005	0.8741

Source: Charter Township of Texas

**Charter Township of Texas  
Property Tax Collections  
Fiscal Years Ended December 31, 2001 Through 2005**

Levy December 1	Fiscal Year Ended December 31	Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected
2000	2001	\$ 318,278	\$ 304,383	95.63%
2001	2002	346,179	332,037	95.91%
2002	2003	382,569	364,504	95.28%
2003	2004	408,471	393,200	96.26%
2004	2005	441,680	422,054	95.56%

(1) Township taxes only. Includes taxes on properties granted tax abatement under Act 198. See "Tax Abatement."

Source: Charter Township of Texas

(UNAUDITED)

**Charter Township of Texas  
Ten Largest Taxpayers  
Fiscal Year Ended December 31, 2005**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value (1)</u>	<u>% of Total (2)</u>
National City Bank	Financial center	\$ 13,979,147	2.56%
Consumers Energy	Utilities	6,876,957	1.26%
Dana Corp.	Axels and research	8,856,500	1.62%
Bronson Management Services Corp.	Healthcare research	4,131,849	0.76%
Michigan Distribution Partners	Distribution center	3,196,800	0.59%
Pfizer Inc.	Computer center	3,120,500	0.57%
Laboratory Research Inc.	Animal research	3,212,325	0.59%
Twin Star Ice Arena LLC.	Ice recreation and resturant	2,061,850	0.38%
Distribution Center Partners	Distribution center	1,917,400	0.35%
Hidden Valley LLC	Manufactured housing	1,874,917	0.34%
		<u>\$ 66,365,580</u>	<u>9.03%</u>

(1) Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement."

(2) Based on \$545,139,488, which is Charter Township of Texas' Total Taxable Value for its fiscal year ended December 31, 2006. Includes the equivalent taxable value of property granted tax abatement under Act 198. See "Tax Abatement."

Source: Charter Township of Texas

**Charter Township of Texas  
Legal Debt Margin  
As of December 31, 2005**

Debt Limit (1)		\$ 60,161,790
Debt Outstanding	\$ 3,169,000	
Less: Exempt Debt	<u>(3,169,000)</u>	
		<u>-</u>
Legal Debt Margin		<u>\$ 60,161,790</u>

(1) 10% of \$601,617,900, which is Charter Township of Texas' Total SEV for the fiscal year ended December 31, 2005.

Includes the SEV of property granted tax abatement under Act 198. See "Tax Abatement."

Source: Municipal Advisory Council of Michigan and Charter Township of Texas

(UNAUDITED)

**Charter Township of Texas**  
**Debt Statement**  
**As of December 31, 2005**

<u>Charter Township of Texas Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Special Assessment Bonds:			
Dated May 1, 2004 (Limited Tax)	2,535,000	2,535,000	-
Dated April 1, 1999 (Limited Tax)	328,000	328,000	-
Dated April 1, 1999 (Limited Tax)	306,000	306,000	-
<b>Total</b>	<b>\$ 3,169,000</b>	<b>\$ 3,169,000</b>	<b>\$ -</b>

Per Capita Net Charter Township of Texas Direct Debt (1)..... \$290.23  
Percent of Net Direct Debt to Total SEV (2)..... 0.0053%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Township Share As Percent of Gross</u>	<u>Net</u>
Kalamazoo County	\$ 9,500,000	7.65%	\$ 726,750
Kalamazoo School District	75,671,000	4.28%	3,238,719
Mattawan School District	28,880,000	44.84%	12,949,792
Portage School District	35,168,000	9.31%	3,274,141
Schoolcraft School District	19,836,672	6.08%	1,206,070
Kalamazoo District Library	10,150,000	3.80%	385,700
<b>Totals</b>			<b>\$ 21,781,171</b>

Per Capita Net Overlapping Debt (1)..... \$1,994.80  
Percent of Net Overlapping Debt to Total SEV (2)..... 0.0362%

Per Capita Net Direct and Overlapping Debt (1)..... \$2,285.02  
Percent of Net Direct and Overlapping Debt to Total SEV (2)..... 0.0415%

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- (1) Based on Charter Township of Texas' 2000 census population of 10,919.  
(2) Based on \$601,617,900, which is Charter Township of Texas' Total SEV for the fiscal year ended December 31, 2005. Includes the SEV of property granted tax abatement under Act 198. See "Tax Abatement."  
(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of Charter Township of Texas are liable in addition to debt issued by Charter Township of Texas. The table reflects overlapping debt as of December 31, 2005.

Source: Municipal Advisory Council of Michigan and Charter Township of Texas

(UNAUDITED)

**Charter Township of Texas  
Major Employers  
Fiscal Year Ended December 31, 2005**

<u>Firm Name</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Kalamazoo Valley Community College	Community College	1,000
National City Bank	Financial center	500
Dana Corp.	Axles and research	250/300
UPS	Freight service	250/300
TLC	Freight service	110
Cracker Barrel	Restaurant	50
Hampton Inn	Lodging	35
Culvers	Restaurant	30

Source: Charter Township of Texas

**Charter Township of Texas  
Revenues from the State of Michigan  
Fiscal Year Ended December 31, 2001 through 2005**

<u>Fiscal year ended December 31</u>	<u>State Shared Revenue</u>	<u>Metro Act</u>	<u>Total</u>
2001	\$ 942,212	\$ -	\$ 942,212
2002	814,778	-	814,778
2003	748,589	1,235	749,824
2004	718,582	7,633	726,215
2005	735,728	8,521	744,249

Source: Charter Township of Texas

**Charter Township of Texas  
General Fund - Fund Balance  
Fiscal Year Ended December 31, 2001 through 2005**

<u>Fiscal year ended December 31</u>	<u>General Fund Fund Balance</u>
2001	\$ 1,486,945
2002	1,511,716
2003	1,459,825
2004	1,500,145
2005	1,657,580

Source: Charter Township of Texas

(UNAUDITED)